

Indiana Utility Regulatory Commission

Natural Gas Conference

July 10, 2003

Northern Indiana Public Service Company

R. Douglas Walker

Director, Energy Supply Services



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Today's Objectives

- What is happening in the Natural Gas Market?
- NIPSCO's Winter Plan



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Short-Term Outlook

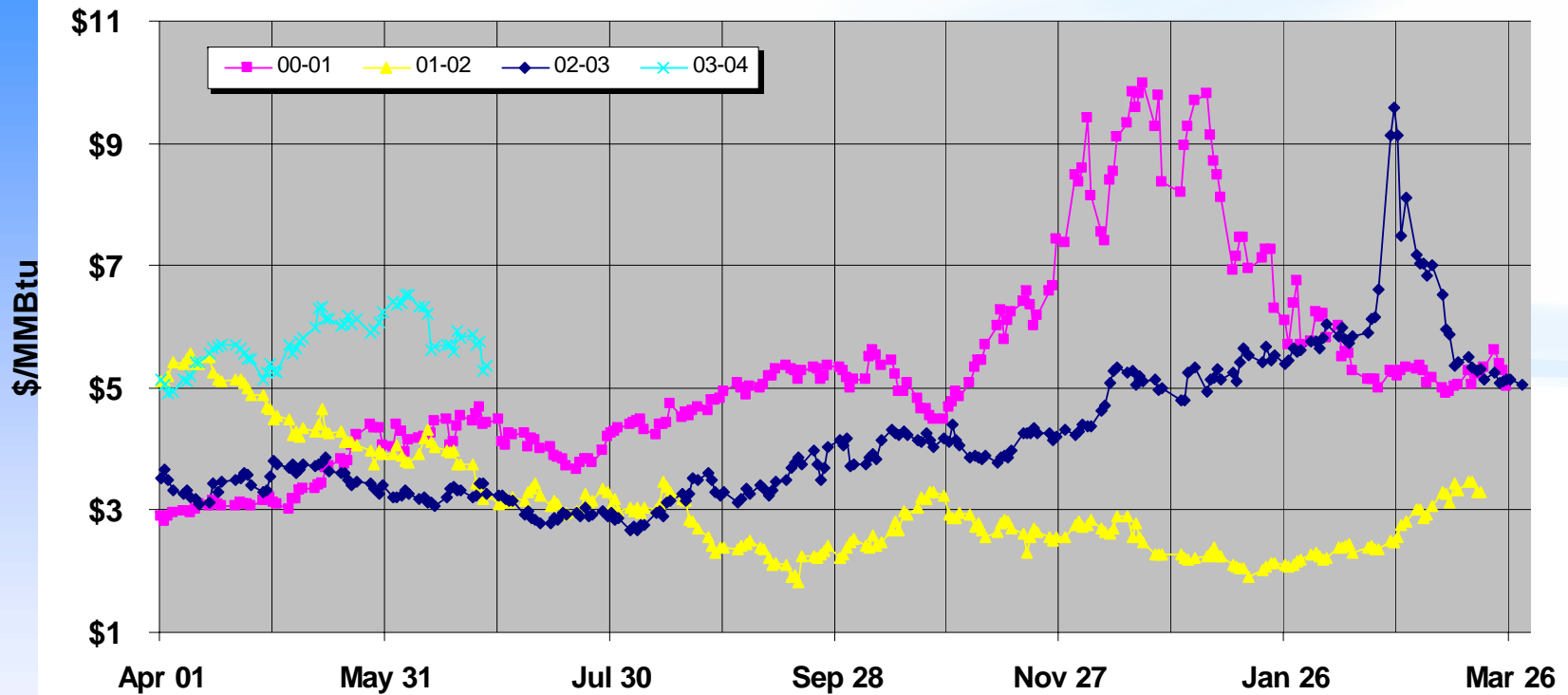
- Active hurricane season predicted
- Storage injections at record pace
- National storage inventories will be lower than recent to start the winter
- Forward winter pricing is at historical highs
- Winter market volatility is high
- Winter weather will be a key variable



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Market Conditions - Over 3-1/2 Years

NYMEX Year-on-Year Price Trends

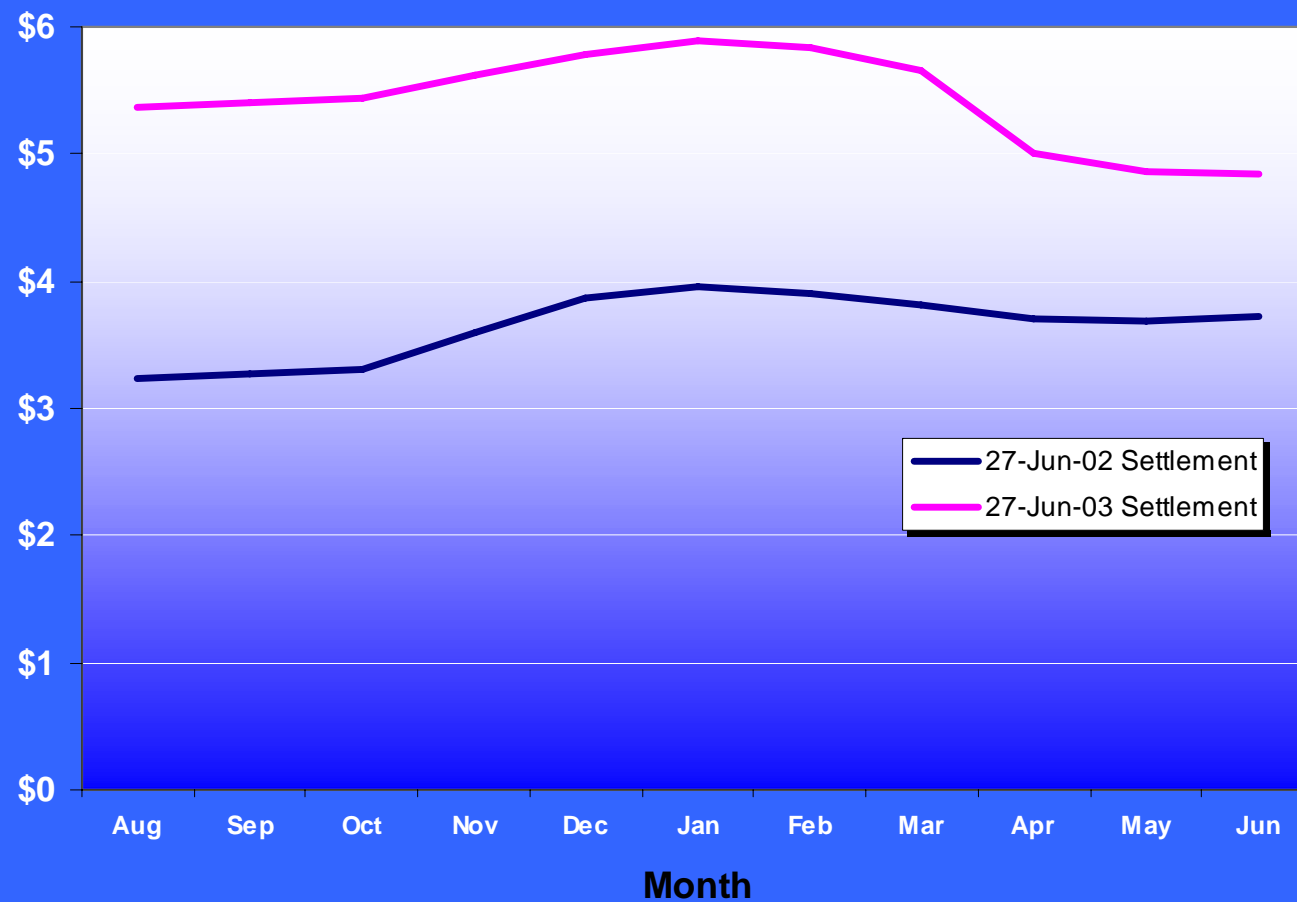


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High Prices are Here

NYMEX Futures at Henry Hub (\$/MMBtu)

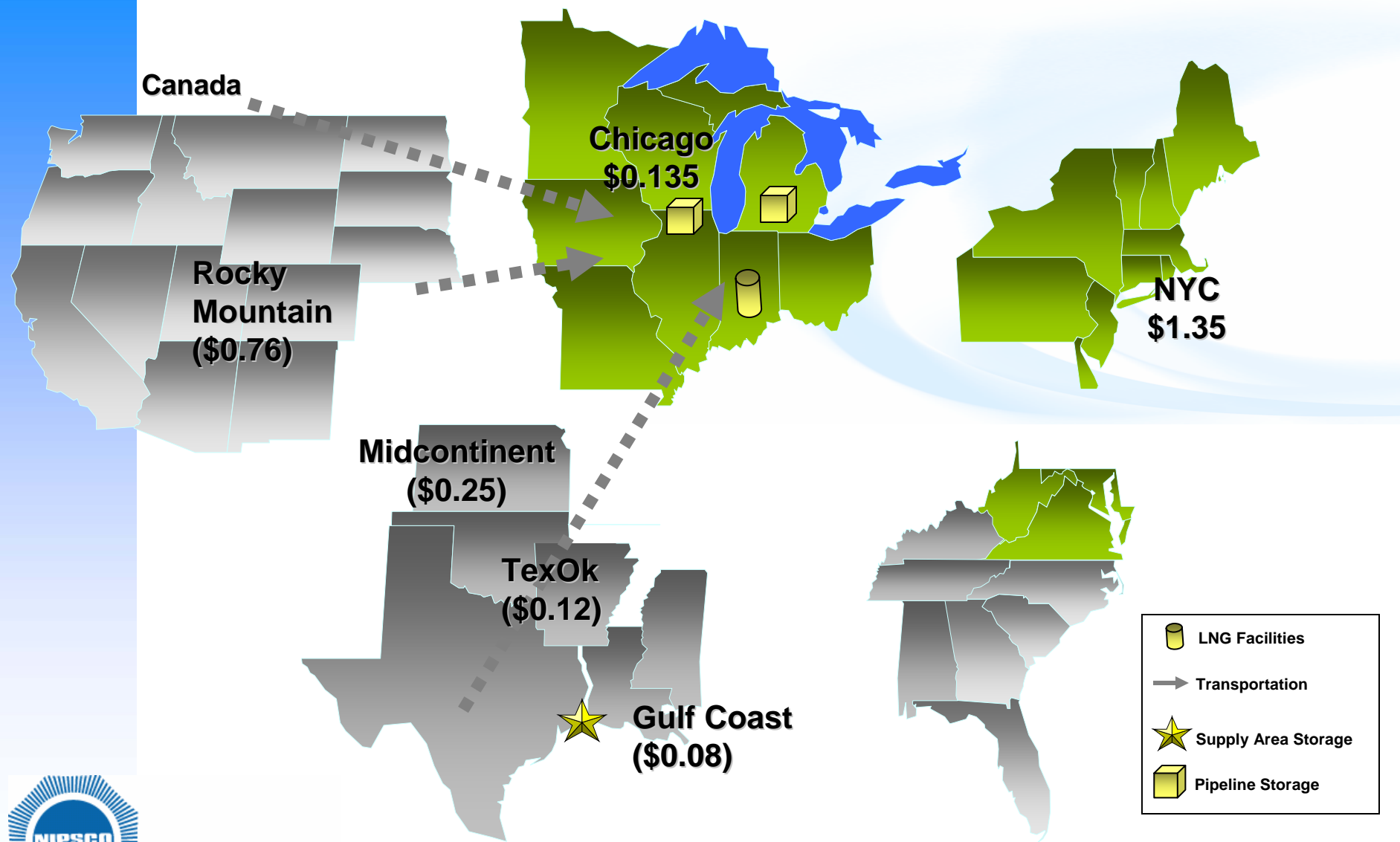
Comparison of 6/27/02 and 6/27/03 Settlement Prices



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Gas Supply Nationwide

Factors Affecting Regional Prices



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Market Intelligence

Real-time Market Data

- Bloomberg
- CQG

Publications

- Natural Gas Weekly
- NGI Daily
- Inside FERC
- Gas Daily

Organizations

- AGA
- EIA

Consulting Services

- RMI
- PIRA
- NESAC
- WEFA

Producers

- Marathon
- BP
- Sempra
- Conoco/Philips
- Oxy

Options Pricing

- FEA

Brokers

- Carr Futures
- Barclays
- Credit Lyonnais
- BNP Paribas
- Fimat
- Advest

Information Services

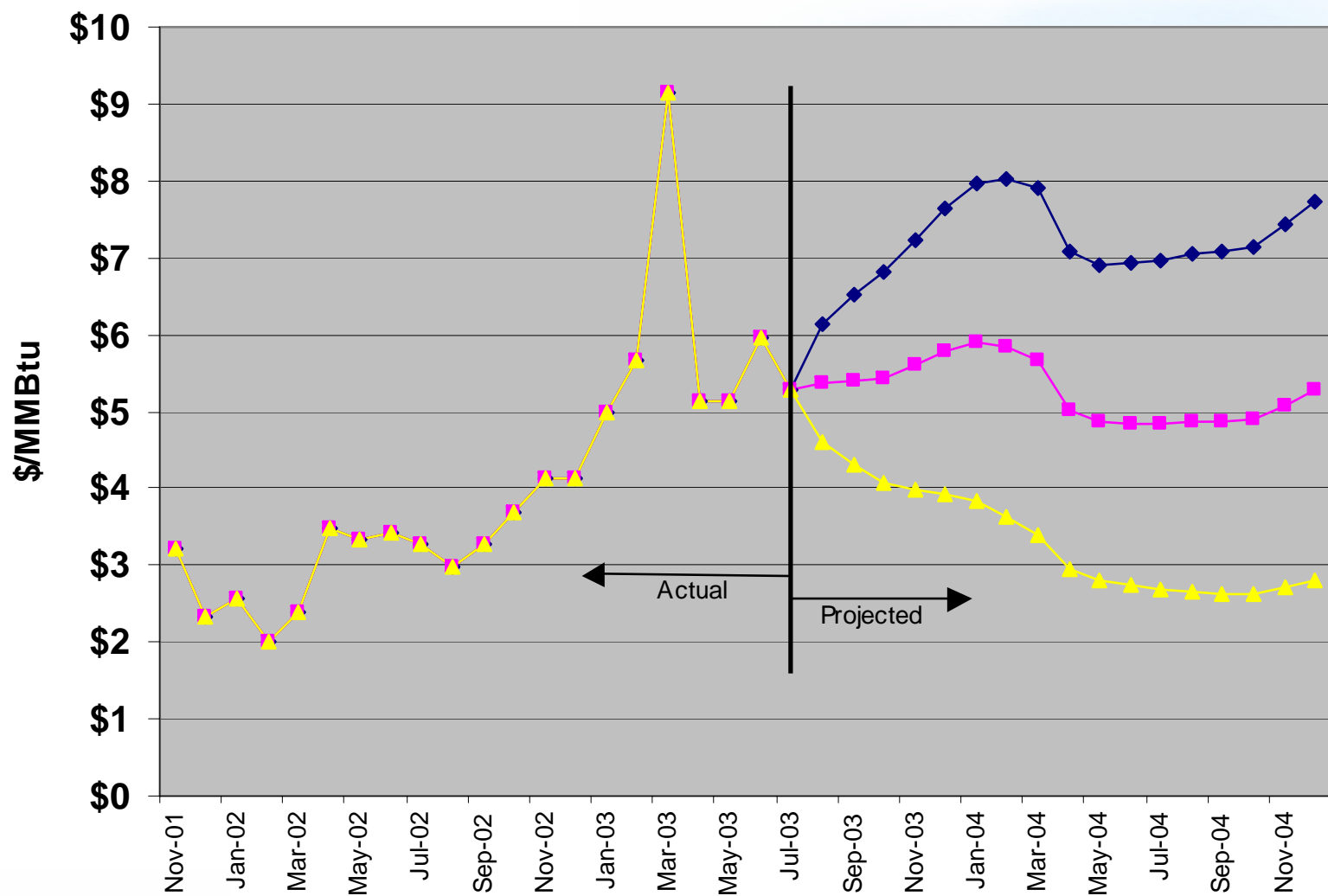
- ATT Broadband
- DTN



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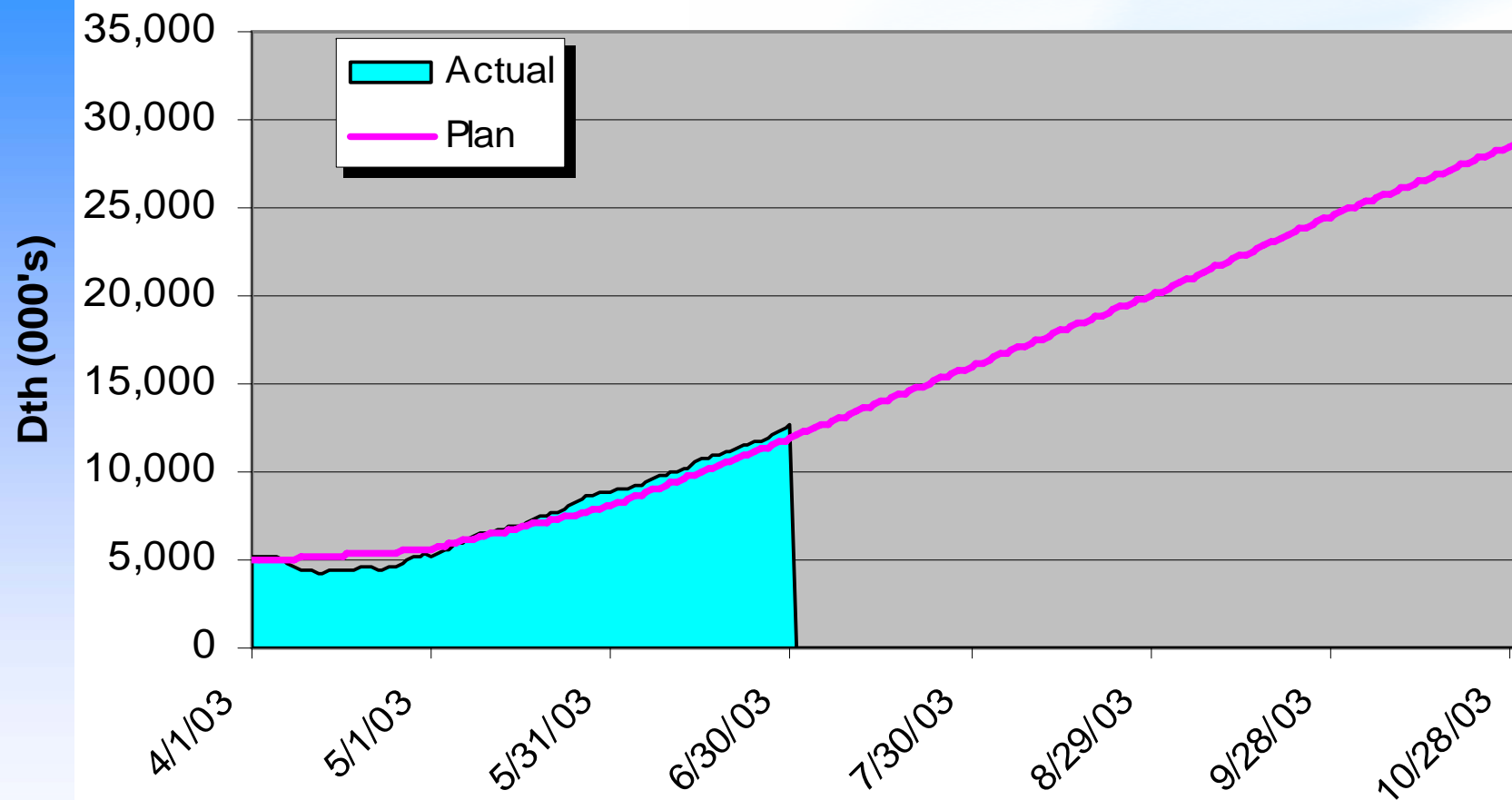
Future NYMEX Price - Settlement Projections

(Pricing Cone)



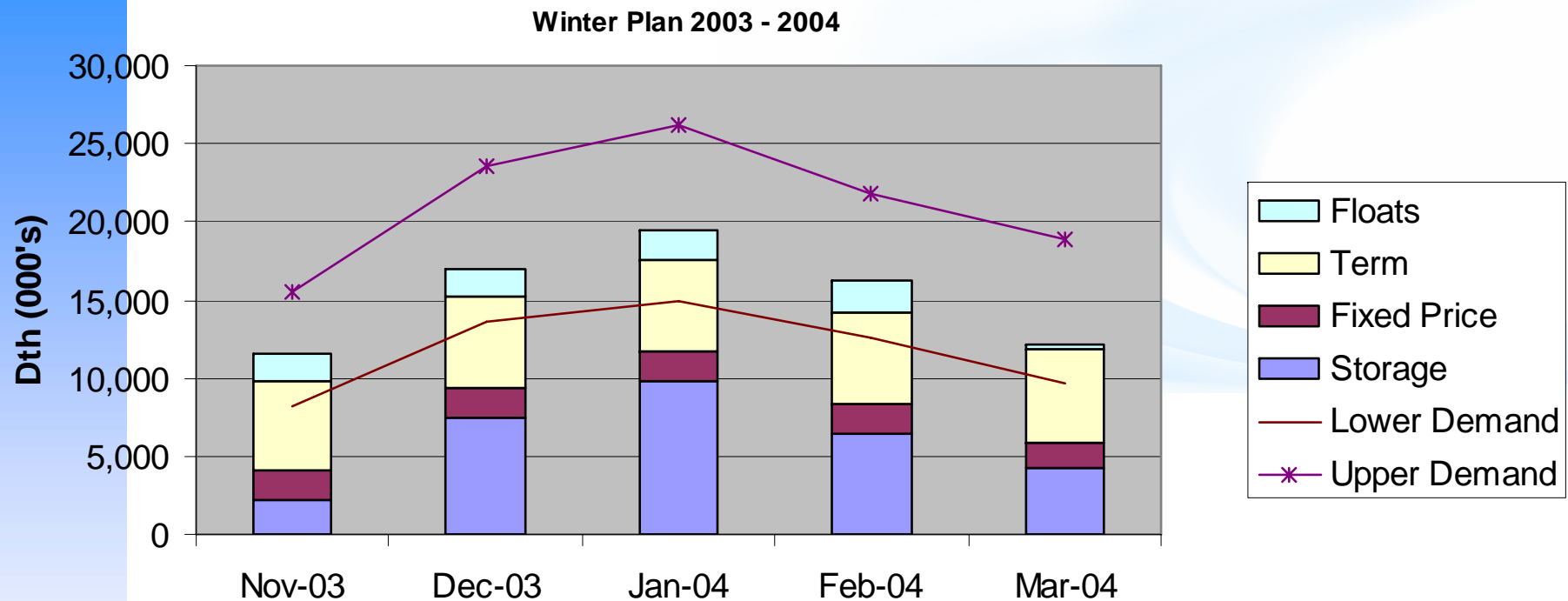
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Storage Plan



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Objective: Volatility Mitigation

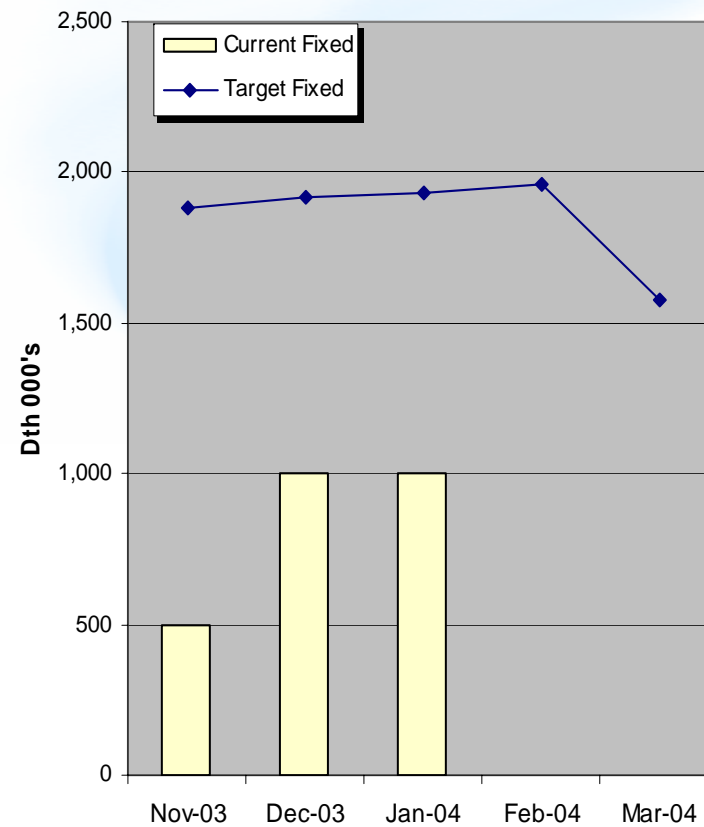
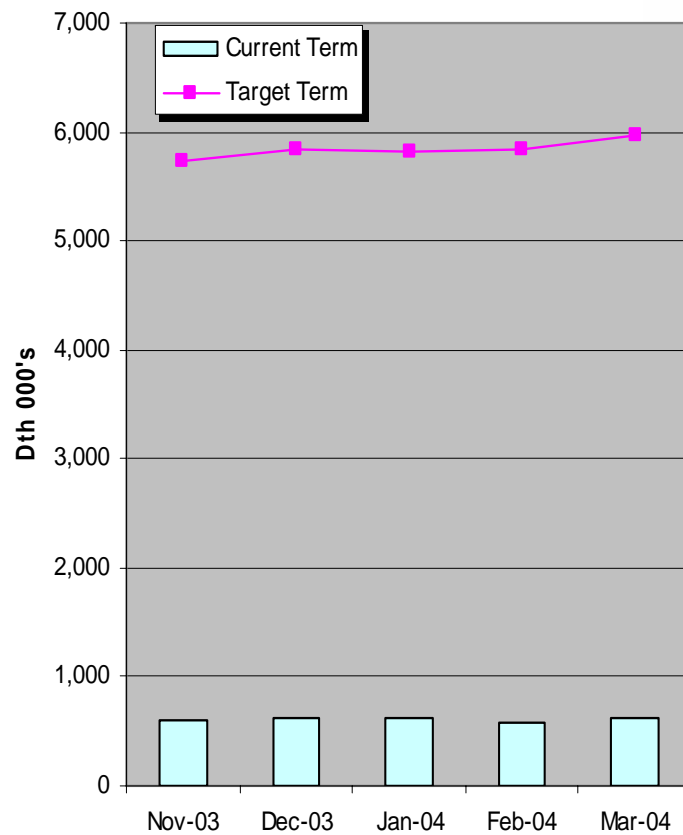


- Plan Targets 20% of Expected Purchases at Fixed Price
- Status: 9% Nov, Dec, Jan



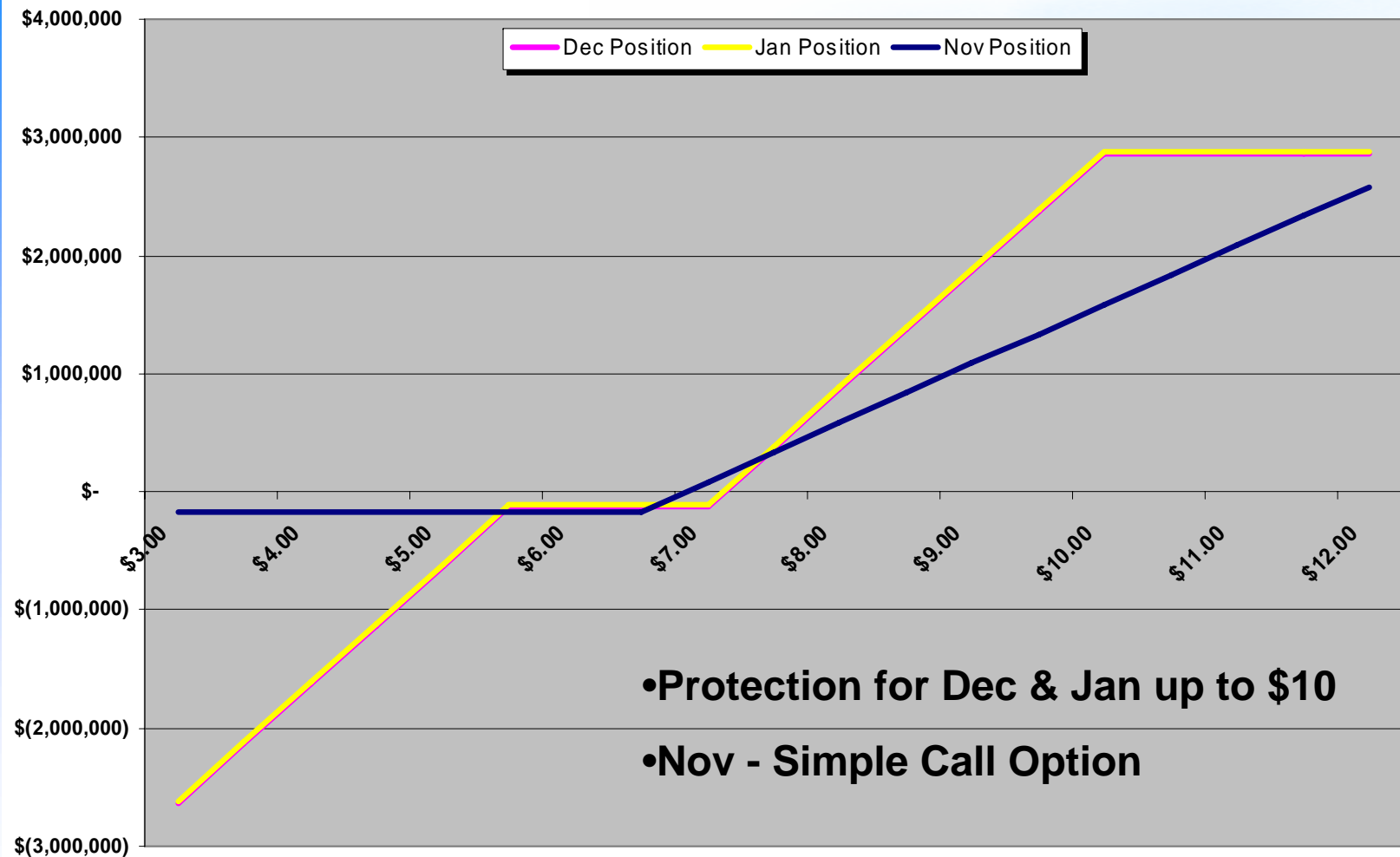
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Current Status of Trades Completed



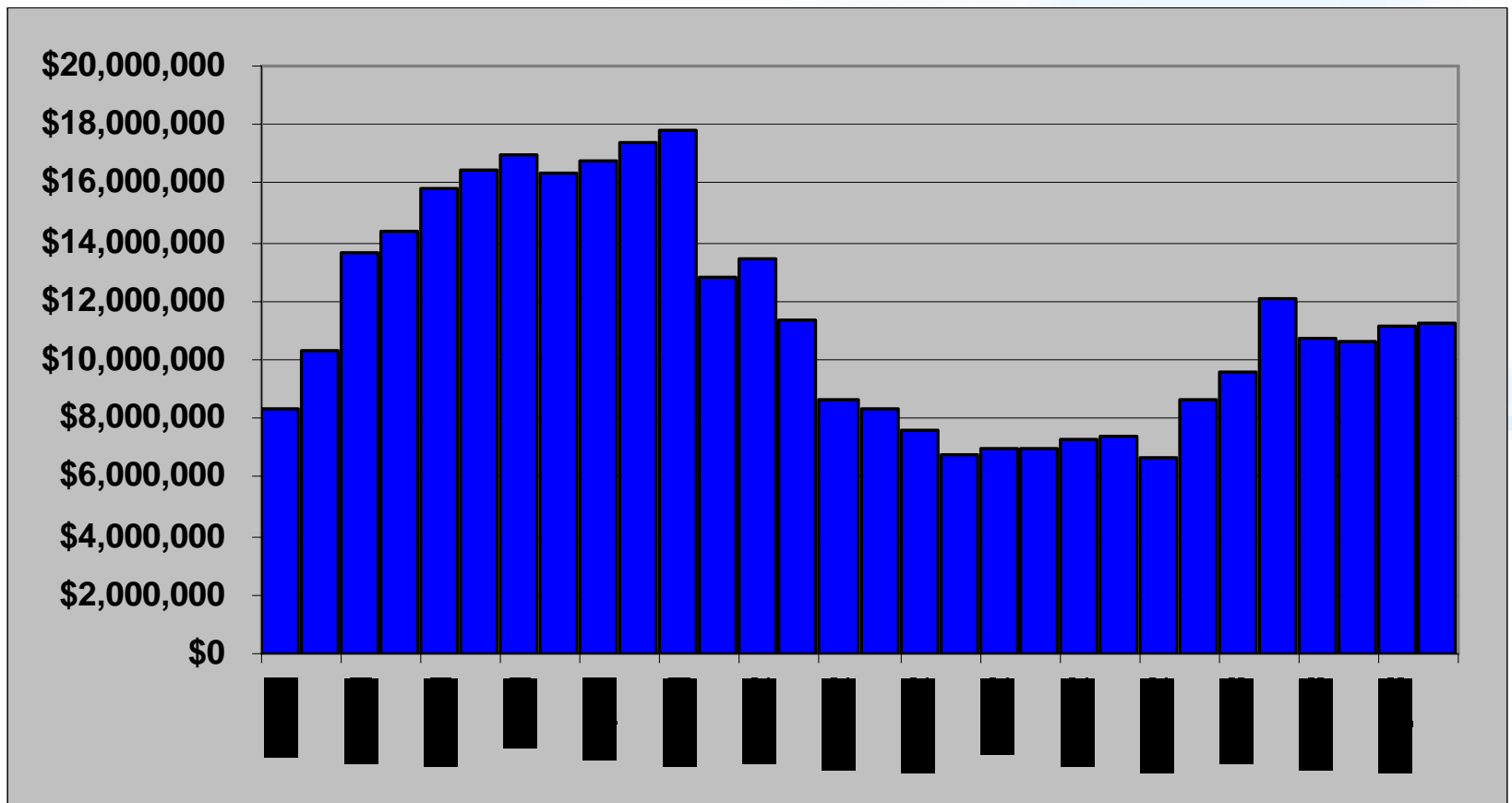
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Position Price Graph



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Customer Savings via GCIM



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Overview of NIPSCO Customer Assistance

Karen S. Stafford

Manager, Consumer Programs



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Customer Assistance Initiatives

NIPSCO is committed to serving the needs of the communities we serve in northern Indiana.

Key Initiatives for the 2003 – 2004 Heating Season

- Customer Assistance Programs
- Energy Education
- Customer Payment / Billing Options



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Customer Assistance Initiatives

Customer Assistance Programs

Committed to offering and administering assistance programs to maximize customer & community benefits.

Assisted 62,048 customers with over \$10,168,000 in funds.

Key Programs 2002-2003 Heating Season

- Gift of Warmth - \$803,000
 - Doubled match April - June 2003
 - Disbursements extended thru July
- Energy Assistance Program (LIHEAP) – \$9,365,000
- Extended Payment Plans
 - Reduced shut-off activity Jan – Feb
 - 50% deposit reduction for turn-ons April – June
- Gift of Energy – active solicitation efforts



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Customer Assistance Initiatives

Energy Education


Focused mid-summer energy education campaign for customers, community leaders and employees.

- Energy News, Press Releases, Bill Inserts
 - Energy expert forecasts
 - Winter gas prices
 - Payment Plan Options
- Local CAP Panel Forums
 - Filter for key issues and customer concerns
- Gas Road Show – mid August thru September
 - Media, Community Leaders, Social Service Agencies and Legislatures



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Customer Assistance Initiatives



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EnergyNews

In this issue:

- Prepare for Summer Storms
- What Is the Environmental Cost Recovery Mechanism?
- Keep Clear Access to Meters
- Where Are Natural Gas Prices Headed This Winter?

www.nipSCO.com

News you can use and information tips

Summer 2003

Where Are Natural Gas Prices Headed This Winter?

While we can't predict what the weather will be like this winter, many energy industry experts are forecasting that, nationally, the price of natural gas will probably remain unsteady and at higher levels than they were just a few years ago.

The situation is a study in supply and demand. In short, the need for natural gas is currently greater than the industry's ability to provide enough supply, which leads to swings in the market price. In the past, producers charged lower prices for natural gas during the summer when there was less demand for home heating and other traditional uses. That's why many natural gas utilities usually buy most of their supply of natural gas from producers during the summer months and place it in underground storage for the winter. Local utilities pass through the cost of natural gas to customers without markup.

More and more, though, natural gas is being used as an alternative fuel to coal to power electric generation plants. That means that peak demand for electricity for air conditioning and other uses during the summer also drives up demand for natural gas to produce the electricity. Combined with the increasing demand for residential use and for industrial operations, the need for clean-burning, efficient natural gas is growing faster than producers can provide it. And when demand exceeds available supply, prices go up.

Other factors have also affected the price of natural gas this year. The war in Iraq and other political tension in the Middle East, as well as strikes by oil producers in Venezuela, had direct impacts on the price of oil and continue to apply pressure that helps keep prices unsteady. Since natural

gas is often used as an alternative fuel to oil, price trends in the natural gas market have tracked oil prices closely.

Check your billing package over the coming months for updates on the natural gas market situation and how it affects your energy cost and use. Rest assured that we will have an ample supply of natural gas to keep you warm and comfortable on even the coldest days this winter, and we're doing everything we can to secure our natural gas supplies at the most competitive prices available to us.

For information on payment services and assistance programs that can help you reduce the impact of unsteady gas prices and higher winter heating bills on your household budget, call our DirectLink automated self-service at the number shown on your bill, or visit our Web site.



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Customer Assistance Initiatives

Natural Gas Billing Options from NIPSCO

Choices
this
way



Pay the amount due for the energy used during a given month. NIPSCO makes gas purchase decisions on your behalf and works hard to keep your gas supply costs low. Gas prices will fluctuate due to changes in market conditions. There is no action required to select this option.

You want to pay your total amount due on your gas bill each month based on your usage at the current gas price.



Pay the same amount each month for your bill. Your monthly payment is an average amount based on your past energy usage and estimated future prices. Periodically, your Budget payment will be adjusted to cover any amounts you have over or under paid as a result of changes in price and weather conditions.

You want to manage your monthly expenses and pay the same amount on your gas bill each month with the understanding that there is a balance settle-up at the end of each BudgetPlan year.



Lock in a set price for your natural gas supply charge with the Price Protection Service Fixed Price Option. While your usage may vary from month to month, the price you pay per therm stays the same. This option eliminates price volatility and provides price certainty.

You want price certainty and to avoid changes in the natural gas market. Regardless of market fluctuations, the price you pay per therm will stay the same.



Pay the same amount for your gas bill each month regardless of weather or natural gas price changes for a 12-month period. DependaBill is a predetermined, totally guaranteed, fixed monthly natural gas bill. The amount you pay is based on your individual usage history, historic temperatures and anticipated future gas prices and includes all required program fees. There is never a balance or settle-up. Participation is subject to usage requirements and specific enrollment timeframes.

You want to fix your total natural gas bill and pay the same amount each month by eliminating fluctuations due to changing weather and natural gas prices.



Choose a qualified supplier other than NIPSCO to be the provider of your natural gas. This means you can shop for the best gas supply choice for you. Your gas will still be delivered reliably and safely by NIPSCO.

You're concerned about the cost of natural gas and are interested in prices and offers from other suppliers.



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Customer Assistance Initiatives

Now you can!

Our three great plans make paying your NIPSCO bill hassle free.

BudgetPlan

Take the guesswork out of your utility bill with NIPSCO's BudgetPlan.

BudgetPlan provides an average monthly bill based on past usage and estimated future prices so you always know how much to budget for your NIPSCO bill.

- Pay the same amount each month
- Your monthly statement shows you the status of your account
- We'll review your BudgetPlan status periodically. If necessary your monthly budget amount will be adjusted
- Each May, the amount you have paid is compared to your actual usage
- If you have overpaid, the settle-up will be applied to future billings. If you have underpaid, the balance due will be spread over the next 12 months

ZapCheck

Sign up for Zapcheck and never write another check to NIPSCO again.

Pay your bill automatically with ZapCheck. It's the no-hassle, hands-free way to make sure your bill is paid accurately and on time, even if you're out of town. Each month, the amount you owe on your NIPSCO bill is simply deducted from your checking account.

- No checks to write
- No worry about missing a payment date, even if you're out of town
- Save time and postage
- You'll still receive a monthly bill indicating the amount that will be withdrawn from your account
- Zapcheck is totally safe and reliable

CheckFree

Your paperless, on-line bill is a convenient mouse click away.

View and pay your NIPSCO bill from your computer with CheckFree E-bill service. All you need is Internet access. Simply log on to the CheckFree website, view your NIPSCO bill on screen and point and click to pay. It's that easy!

- Safe, secure, and easy
- No checks, envelopes or paper clutter
- Fast and convenient

See back for enrollment instructions.



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Customer Assistance Initiatives

Future Technology Upgrades

Committed to managing resources and reviewing new technology tools to enhance customer interactions.

- IVR Speech recognition
- Outbound call backs
- Web self-service – account balance, connect/disconnect, name change and payment options
- On-line consumption and billing history



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Customer Assistance Initiatives

Customer Programs

Offering multiple options to meet individual customer billing needs. Products attempt to remove monthly bill fluctuations and price and weather uncertainty.

- ***BudgetPlan*** – 198,000 plus enrolled
 - Mid-year review
 - 12 month payment option for debit balance
- ***Alternative Pricing Programs*** – 90,472 active participants
 - NIPSCO Choice – Third party supply option
 - Price Protection Service – fixed and capped supply charges
 - DependaBill - flat , fixed monthly gas bill
 - Spring Campaign reached maximum enrollment of 4,500 customers before deadline.
 - Campaign development coordinated with IURC staff



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Thank you!



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